United Nations DP/2002/5

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
12 November 2001

Original: English

First regular session 2002
28 January-8 February 2002, New York
Item 7 of the provisional agenda
Recommendations of the Board of Auditors, 1998-1999

Support G

UNDP: Report on implementation of the recommendations of the Board of Auditors for the biennium 1998-1999

Report of the Administrator

Issues

In taking note of the present report, the Executive Board may also wish to note that UNDP has made considerable progress in implementing the recommendation made by the Board of Auditors in its report for the biennium 1998-1999.

1. As in previous bienniums, and in accordance with General Assembly resolutions 47/211 of 22 December 1992 (paras. 9, 10 and 12) and 48/216 B of 23 December 1993 (para. 5), the Administrator is bringing to the attention of the Executive Board the second report on the implementation of the recommendations of the Board of Auditors on UNDP for the biennium ending 31 December 1999 (A/56/66/Add.1).

2. The present report has been prepared in response to General Assembly resolutions 48/216 B and 52/212 B, in which the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to provide the General Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables, at the same time that the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

3. The annex to the present document contains an update of the actions taken by UNDP on the outstanding recommendations noted in a letter dated 28 June 2001 from the Chairman of the Board of Auditors to the General Assembly transmitting

01-63479 (E) 301101

the report of the Board on the implementation of its recommendations (A/56/132). The paragraph references in the annex are from document A/55/5/Add.1, the United Nations Development Programme, Financial Report and Audited Financial Statements for the biennium ended 31 December 1999 and Report of the Board of Auditors. The Administrator has provided an update on the UNDP response to each recommendation as well as the status of any follow-up action and the target date for completion at the date of preparing the present document. The Administrator is pleased to report that progress has already been achieved in most areas and that efforts are being made to address the few issues that are still outstanding.

Annex

Recommendation in paragraph 10 (a). UNDP should ensure regular follow-up on all outstanding audit reports, and concentrate its efforts on those countries where it has the greatest levels of national execution.

Comment. The Board encourages UNDP to continue with its efforts to improve on controls ensuring accountability, particularly following up on outstanding audit reports.

UPDATE: UNDP closely monitors the status of the national execution and non-governmental organization audit reports. Frequent reminders are sent to those country offices that fail to submit the audit reports on time. The Office of Audit and Performance Review also prepares evaluation letters, that summarize the country office performance with respect to the management of the national execution and non-governmental organization audit exercise. The performance criteria include: timeliness of audit reports; expenditure reports signed by the executing agency and the auditor; adequacy of audit plan; adequacy of audit scope; and adequacy of the country office action plan to address the audit findings and recommendations. Each country office is assigned a score, which is reported to senior management.

As at the end of September 2001, of the 1,761 audits planned, 1,561 audit reports had been received by UNDP. The vast majority of countries with expenditures greater than $5 million have submitted all or nearly all of the planned audit reports. Only one country, a country in special circumstances, has failed to submit any reports. In addition, there are five countries in the Latin America and Caribbean region with significant numbers of audit reports outstanding. However, in almost all cases auditors from international financial institutions are auditing the projects, and UNDP will receive the audit reports once they have been finalized.

Recommendation in paragraph 10 (g). UNDP should require all country offices to investigate the possibilities of agreeing common service contracts with other United Nations organizations, as a method of offering potential cash savings and administrative efficiencies.

Comment. UNDP plans to work actively with the inter-agency working group on the implementation and management of common services contracts.

UPDATE: UNDP is actively working with other United Nations organizations, especially those that are part of the United Nations Development Group, in implementing the Administrative Committee on Coordination Guidelines on Common Services at the country level. A workshop is being organized at the International Labour Organization (ILO) Training College in Turin in November 2001 and eight selected countries have been invited to participate in this workshop, which will assist in strengthening common service initiatives within the United Nations system. It is UNDP policy to enter into common services contracts with other United Nations organizations where it is practical and cost-efficient to do so.

Recommendation in paragraph 10 (j). UNDP should develop a more formal system for monitoring supplier performance.

Comment. UNDP has informed the Board that it will formalize its monitoring practices to capture information on supplier performance.

UPDATE: This supplier performance evaluation is now incorporated in the recently issued UNDP Procurement Manual.

Recommendation in paragraph 10 (k). UNDP should undertake a cost-benefit analysis to assess the savings likely to accrue from the development of a green procurement policy.

Comment. UNDP plans to undertake a cost-benefit analysis on the development of a green procurement policy.

UPDATE: UNDP has completed an informal study for the common-user items such as computers, vehicles, office supplies and equipment to identify the impact of incorporating environmental specifications on the cost. The findings are that the cost differences are negligible and hence the environmental requirements have been incorporated as a standard in the specifications.

Recommendation in paragraph 10 (l). UNDP should follow up the recommendations made in the 1998 report on energy use and environmental impacts with respect to the FF and DC-1 buildings.

Comment. The issues are being addressed in retrofit projects planned for both buildings.

UPDATE: The energy retrofit of the FF building is currently being implemented by Carrier Corporation. UNDP has signed a contract with this energy service company, which undertook a comprehensive energy assessment (CEA) of the building to quantify the expected savings from the reduced use of energy in the building. The retrofit project will be completed by the first quarter of 2002.

Recommendation in paragraph 10 (m). UNDP should introduce improved monitoring of paper use across divisions and set a target for a reduction in paper use and set standards for printer and copier use, for example, ensuring that all machines default to double-sided printing.

Comment. The action plan has been drawn up and is in the process of being implemented.

UPDATE: All new printer acquisitions are required to have duplex capability and UNDP is standardizing printers and replacing them by energy-efficient ones. The Advisory Committee on Procurement has endorsed these measures.

Recommendation in paragraph 10 (q). Project plans should be prepared only on the basis of committed funding.

Comment. UNDP plans to monitor project budgets to ensure that Financial Rule 111.01 (d) is applied.

UPDATE: UNDP policy continues to be that project documents reflect only such funds as are available within ceilings for commitments for the current planning period. UNDP has a system in place for immediately alerting senior management when an office exceeds its approval authority. An aggregated listing is compiled monthly.

The oversight group will monitor this through random reviews of projects. These random reviews include checking project budget approvals against uncommitted resources available to the approving office at the time of signature of the project document.

Recommendation in paragraph 10 (r). UNDP should ensure that all projects contain quantified and measurable performance indicators or targets, and measure the progress of a project against those criteria, and ensure that country offices carry out regular monitoring and evaluation in line with UNDP guidelines.

Comment. UNDP expects the development and promulgation of new programming instruments to address this recommendation in 2001.

UPDATE: The UNDP Programming Manual already incorporates guidance to country offices on elements of the recommendation. However, following the introduction and institutionalization of results-based approaches in the organization, a process is under way to develop revised UNDP programming instruments that will include measurable results targets and indicators and seek to achieve consistency in this respect between all programme documentation, from the country cooperation framework to individual project documents. It is expected that the revised instruments will be ready for launch by end 2001. This will put UNDP in a leadership position in results-based management techniques.

Oversight on country office monitoring and evaluation practices is exercised both by the regional bureaux, through regular country monitoring visits, and the Office of Audit and Performance Review, which assesses country office performance through management audits. In addition, the Evaluation Office monitors data on country office evaluation compliance and periodically briefs UNDP senior management. Besides informal follow-up, quarterly reminders are sent to country offices and regional bureaux regarding forthcoming/pending evaluations.

Recommendation in paragraph 10 (s). UNDP should require the Office of Audit and Performance Review to ensure that each member of the staff receives sufficient training to ensure that the organization retains its technical competency.

Comment. The Office is in the process of developing long-term learning, training and development plans for each staff member.

UPDATE: Annual training and development plans were developed as part of the annual performance assessment exercise. Long-term plans will be developed after the internal audit task force has completed its work. This task force established by the Administrator, is reviewing the scope and approach of internal audits; this will have a direct impact on the training and development needs of internal audit staff. The long-term plans will address both the overall needs of the Office as well as individual needs.

Recommendation in paragraph 10 (u). The Office of Audit and Performance Review should be required to document the key systems and controls and keep the information on file permanently to facilitate subsequent audits.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

UPDATE: The key systems have been identified and systems documentation is kept on file permanently to facilitate subsequent audits. Further planned enhancements include better linkages to the information available electronically on the UNDP Intranet.

Recommendation in paragraph 41. UNDP should require resident representatives to certify the accuracy of the annual country office inventory returns and monitor

returns to ensure that all are received; review the headquarters inventory and ensure that it provides realistic valuations for all equipment; and intensify its effort to develop a suitable inventory control system.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

UPDATE: UNDP has implemented this recommendation and certified annual inventory returns from country offices have improved considerably. With regard to the inventory control software, the remaining bugs in the current inventory system have been fixed; however, UNDP has concluded that it will be more efficient to introduce a new system for inventory control in light of advances in information technology. UNDP intends to introduce such a system by the beginning of 2002.

Recommendation in paragraph 42. UNDP should complete the review of advances to Governments and write off all necessary amounts.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

UPDATE: UNDP has continued the review of all pending receivables, including the outstanding advances to Governments, and will proceed with the write-off in 2002.

Recommendation in paragraph 97. UNDP should benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against them.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

UPDATE: To monitor its performance, UNDP has recently issued the Procurement Manual, which outlines the various steps, required to undertake each procurement transaction. The monitoring process will vary depending on the complexity of the procurement transactions undertaken.

Recommendation in paragraph 174. The Office of Audit and Performance Review should ensure a greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the growth in number of those country offices in recent years.

Comment. UNDP has accepted the recommendation and is in the process of implementing it.

UPDATE: The recommendation has been implemented. In order to increase the level of coverage of Europe and the Commonwealth of Independent States, the Office has already started the process of obtaining contract resources (contracts for activities of limited duration). The Office has completed the management audits of at least four country offices in that region.

Recommendation in paragraph 177. The Office of Audit and Performance Review should conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans.

Comment. The Board welcomes the initiatives taken by the Office for Audit Performance Review in assessing the implementation of the control self-assessment (CSA) action plans and will continue to monitor further developments.

UPDATE: Offices having undertaken CSAs are now required to submit action plans to the Office of Audit and Performance Review; a request for update is sent six months following the CSA session. The tracking system began in April 2001. An independent review was planned, but not carried out owing to other priorities relating to country offices. Such review may be undertaken in future.

Recommendation in paragraph 186. The Office for Audit and Performance Review should develop a system to properly identify the full cost of each output.

Comment. The Office for Audit and Performance Review informed the Board that it has developed a concept paper to consider alternate cost models, one of which will be implemented. While the Board welcomes such initiatives, it remains concerned by UNDP comments that resources may be reduced for service delivery and encourages UNDP to manage implementation of the costing module in a manner that has the minimal effect on service delivery.

UPDATE: The Office of Audit and Performance Review is participating in an activity-based costing pilot, initiated by the Bureau of Management. Baseline data has been captured and the pilot is expected to be fully functional in 2002. The model will be reviewed and compared to a simpler alternative based on time sheet-based options.